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GOVERNMENT OF TAMIL NADU
2019

[Regd. No. TN/CCN/467/2012-14.
[R. Dis. No. 197/2009.
[Price: Rs. 2.40 Paise.



TAMIL NADU GOVERNMENT GAZETTE

EXTRAORDINARY

PUBLISHED BY AUTHORITY

No. 95]

CHENNAI, THURSDAY, FEBRUARY 28, 2019

Maasi 16, Vilambi, Thiruvalluvar Aandu-2050

Part II—Section 2

Notifications or Orders of interest to a Section of the public
issued by Secretariat Departments.

NOTIFICATIONS BY GOVERNMENT

RURAL DEVELOPMENT AND PANCHAYAT RAJ DEPARTMENT

GUIDELINES FOR AVALING 14TH FINANCE COMMISSION PERFORMANCE GRANT BY
VILLAGE PANCHAYATS FROM THE YEAR 2017-18 TO 2019-20.

[G.O. Ms. No.31, *Rural Development and Panchayat Raj (PR-1)*, 28th February 2019.]

No. II(2)/RDPR/205(f)/2019.

Introduction

The 14th Finance Commission has recommended Grants-in-aid to the Village Panchayats under two categories, as Basic Grant and Performance Grant. Out of the total grants-in-aid to Village Panchayats, 90% of the Grant is released as Basic Grant and the balance 10% is sanctioned as Performance Grant. As per the recommendations of the 14th Finance Commission, the Performance Grant is being released from the year 2016-17 onwards based on the performance of the Village Panchayats as it is a conditional grant.

The share of Tamil Nadu on grants-in-aid to Village Panchayats for the period from 2015-16 to 2019-20 is given below:-

(Rs. in crore)

Grants	2015-16	2016-17	2017-18	2018-19	2019-20	Total (2015-20)
Basic Grant	947.65	1312.19	1516.12	1753.87	2369.86	7899.69
Performance Grant	---	172.12	194.78	221.20	289.64	877.74
Total	947.65	1484.31	1710.90	1975.07	2659.50	8777.43

2. Mandatory Conditions to avail Performance Grant.—

Based on the recommendation of the 14th Finance Commission, Government of India has communicated detailed procedure and operational criteria, including quantum of incentives to be given for the distribution of performance grant to the Village Panchayats.

The Village Panchayats shall fulfill the following mandatory conditions to avail the Performance Grant from the year 2017-18 with the maximum cap of 5 times of the basic grant allocation for the respective year.

(1) Submission of Audited Accounts that relate to year not earlier than two years preceding the year in which the Gram Panchayat seeks to claim the performance grant.

(2) Increase in Own Source Revenue (OSR) over the preceding year as reflected in the audited accounts.

2.1. Submission of Audit Report of annual accounts by Village Panchayats.—

The Village Panchayat shall submit the Audited Accounts that relate to the year not earlier than two years preceding the year in which the Gram Panchayat seeks to claim the Performance Grant.

2.1.1. Existing arrangements for audit of Village Panchayat Accounts.—

(i) Government have issued orders for rationalization of Village Panchayats Accounts and procedure for the operation of accounts vide G.O.Ms.No.146, Rural Development and Panchayat Raj (C4) Department, dated 17-8-2007, G.O.Ms.No.60, Rural Development and Panchayat Raj (PR-1) Department, dated 16-4-2015 and G.O.Ms.No.89, Rural Development and Panchayat Raj (PR-1) Department, dated 15-6-2015.

(ii) As per the Tamil Nadu Panchayats (Issue and Disposal of Audit Report of Village Panchayats) Rules, 2000, the Deputy Block Development Officer (Audit) is the Auditor of Village Panchayats.

(iii) Assistant Director of Rural Development (Audit) checks the audit reports of the Village Panchayats in the district to verify the correctness of the Audit done by the Deputy Block Development Officer (Audit).

(iv) The Local Fund Audit Department conducts test audit in 22% of Village Panchayats annually.

(v) In addition, the Office of the Accountant General conducts audit in select Village Panchayats on a regular basis.

2.2. Increase in own revenue generation by the Village Panchayats.—

Own source of revenue of Village Panchayats would include both tax and non-tax revenue. The Village Panchayats should ensure 100% assessment of House tax, Professional Tax, Dangerous and Offensive Trade and other own source of revenue, finalise the demand and complete collection before the end of March of every year. The Village Panchayats should show better progress in augmentation of the own source of revenue as compared to the preceding year, for example, increase in 2015-16 comparing to the year 2014-15 as reflected in the audited accounts for availing the Performance Grant for the year 2017-18.

In other words, if T1 is the total Revenue in 2014-15 i.e.,

T1 = Tax and Non-tax revenue collection in 2014-15.

T2 = Tax and Non-tax revenue collection in 2015-16.

Then, the Village Panchayat is eligible for Performance Grant amount in 2017-18 only if $T2 > T1$.

The Performance Grant claim year and the corresponding base year that will be assessed for sanction of Performance Grant

Sl.No	Mandatory Conditions	Performance Grant claim year		
		2017-18	2018-19	2019-20
1	Submission of Audited Accounts that relate to year not earlier than two years preceding the year in which the Village Panchayat seeks to claim the performance grant	2015-16	2016-17	2017-18
2	Show increase in Own Source Revenue (OSR) over the preceding year as reflected in the audited accounts.	2015-16 over 2014-15	2016-17 over 2015-16	2017-18 over 2016-17.

3. Procedure for application for Performance Grant and evaluation of claim.—

- Each Village Panchayat should fill-up the format in Annexure I under joint signature of the Village Panchayat President, Zonal Deputy Block Development Officer and Block Development Officer (Village Panchayat).
- Both filled-up format shall be collected from the Village Panchayats by the respective Zonal Deputy Block Development Officer in accordance with the checklist as per Annexure-I and the same shall be handed over to the Block Development Officer (Village Panchayat).
- Both submission of audit report of annual accounts of the relevant year as well as increase in the collection

over the previous year by the Village Panchayats is to be certified by the Deputy Block Development Officer (Audit) with specific recommendation for eligibility to avail Performance Grant as per the Format for certification in Annexure-I and forward the same to Block Development Officer (Village Panchayats).

- The Block Development Officer (Village Panchayats) will check all the proposals submitted by the Deputy Block Development Officer (Audit) and then forward the proposals to the office of the District Collector.
- The Assistant Director (Panchayats) shall consolidate the proposals received from the Block Development Officer (Village Panchayats) after conducting 10% super-check. In addition to that, the Assistant Director (Audit) should also conduct 10% super check of proposals received from Block Development Officer (Village Panchayats). The District Collector shall finalise the list of eligible Panchayats.
- The consolidated list of Village Panchayats eligible for the receipt of Performance Grant shall be sent in Annexure-II to the Director of Rural Development and Panchayat Raj.
- The timeline for submitting the proposals will be sent by the Director of Rural Development and Panchayat Raj to the District Collectors each year.
- The District Collector should ensure that Audit Report of the relevant year have been placed before the Grama Sabha and Village Panchayats have made Online submission of Village Panchayat Form 30 in the official website of Rural Development and Panchayat Raj Department (www.tnrd.gov.in) and completion of PRIA Soft online entry in the website (www.accountingonline.gov.in) regularly.

4. Utilisation of Performance Grant.—

Fourteenth Finance Commission has recommended assured transfer to the local bodies for planning and delivering of basic services smoothly and effectively within the functions assigned to them. Therefore it is advised that the Village Panchayat can utilize this grant to provide basic services within the functions assigned to them as per Tamil Nadu Panchayats Act, 1994 after proper Village Panchayat Development Plan are prepared by them.

5. Release of funds.—

(i) The Director of Rural Development and Panchayat Raj will arrive at the 14th Finance Commission Performance Grant due for each eligible Village Panchayat as per the 5th SFC formula for the horizontal sharing and release the same to the District Collectors.

(ii) The District Collectors shall release grants to the Village Panchayats concerned immediately after receipt of funds from the Director of Rural Development and Panchayat Raj. No amount should be kept at District level at any point of time since the Grant is the entitlement of Village Panchayat and any delay in timely release will attract penal interest.

6. Documentation/Submission of Utilisation Certificates.—

The expenditure incurred under 14th Finance Commission Performance Grant should be properly documented at District level. Utilisation Certificates should be obtained from all the Village Panchayats and consolidated report should be sent by the District Collectors to the Directorate.

The Additional Chief Secretary to Government, Rural Development and Panchayat Raj Department is empowered to modify the guidelines issued for utilisation of 14th Finance Commission Performance Grant whenever necessary in consultation with the Director of Rural Development and Panchayat Raj and Finance Department.

HANS RAJ VERMA,
Additional Chief Secretary to Government.

ANNEXURE - I**Format for Claiming 14th Finance Commission Performance Grant by the Village Panchayats for the Year**

Name of the District:

Name of the Village Panchayat:

Name of the Panchayat Union:

Sl. No	Year of Audit Report	Audit Report			Own Source of Revenue (Tax and Non-tax) Demand			Own Source of Revenue (Tax and Non-tax) Collection			Total Own Source of Revenue (OSR) collection for the previous year	% of increase of OSR over the previous year {(col.9-col.10)/ col.10*100}
		Date of placement before Gram Sabha	Current Demand	Arrear Demand	Total Demand	Current Collection	Arrear Collection	Total Collection				
1	2	3	4	5	6	7	8	9	10	11		

Panchayat Secretary,

..... Village Panchayat.

President

..... Village Panchayat.

HANS RAJ VERMA,
Additional Chief Secretary to Government.

ANNEXURE - II**Format for claiming 14th Finance Commission Performance Grant for the year**

Name of the District:		
Sl.No	Name of the Panchayat Union	Name of the Village Panchayats eligible for Performance Grant

District Collector
.....District.

HANS RAJ VERMA,
Additional Chief Secretary to Government.